

Message Text

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INFO AMEMBASSY BUCHAREST

C O N F I D E N T I A L STATE 054305

E.O. 11652: GDS

TAGS: ECON, EFIN, NATO, RO

SUBJECT: ECONADS: DRAFT REPORT ON ROMANIAN ECONOMY

REF: NATO A-17

-- NATO 6858

1. WASHINGTON EXPERTS BELIEVE THAT "MAIN FINDINGS" SECTION IS NOT A REASONABLE SUMMARY OF THE BODY OF THE REPORT WHICH WAS PREPARED BY THE UNITED STATES AND WHICH IS QUOTED VERBATIM BEGINNING WITH PARA. 6. IF THIS SUMMARY REPRESENTS THE CONSENSUS OF THE EXPERTS WHICH MET IN DECEMBER, IT SHOULD BE FOOTNOTED AS SUCH. WE OUTLINE PRINCIPAL PROBLEMS BELOW, KEYED TO PARAS. OF DRAFT:

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--1. THE LEVERAGE THESIS IS DIFFICULT TO CREDIT. THERE

IS NO EVIDENCE THAT ROMANIA'S TERMS OF TRADE DETERIORATED DURING 1974 AND ITS ECONOMIC DEPENDENCE ON THE USSR DID NOT INCREASE. TRADE WITH THE USSR FELL TO SLIGHTLY LESS THAN 20 PERCENT OF TOTAL TRADE. LARGE COAL AND STEEL IMPORTS CAME FROM THE USSR, BUT INCREASING AMOUNTS OF COAL FROM THE U.S. AND POLAND. A RECENT AGREEMENT CONCLUDED WITH BRAZIL PROVIDES FOR THE FUTURE EXCHANGE OF BRAZILIAN IRON FOR ROMANIAN MACHINERY.

-- CONFLICTING TENDENCIES WERE OBSERVED REGARDING THE DEBT BURDEN. ROMANIA'S HARD CURRENCY EARNINGS WERE IMPROVED BY HIGH WORLD PRICES FOR REFINED OIL, CHEMICALS AND FERTILIZER. EARNINGS WERE REDUCED BY THE EC BAN ON MEAT IMPORTS AND A BAD HARVEST WHICH REDUCED AVAILABILITY FOR EXPORT.

-- PROSPECTS FOR EXPORT OF PETRO-CHEMICALS ARE LIKELY TO IMPROVE AS A RESULT OF IMPORTS OF OIL TECHNOLOGY. IT IS UNLIKELY THAT MACHINERY EXPORTS WILL BENEFIT FROM THIS TECHNOLOGY.

--2. WHILE BUCHAREST IS CONCERNED THAT RECESSION IN THE WEST WILL CUT INTO EXPORTS, THE MOST PRONOUNCED FEAR IS THAT WESTERN CREDITS WILL DRY UP, FORCING A CURTAILMENT OF HARD CURRENCY IMPORTS. GIVEN A REASONABLE HARVEST, IT IS LIKELY THAT THE DEBT BURDEN WILL BE MANAGEABLE.

--3. THERE HAS BEEN LITTLE CHANGE IN ROMANIAN-USSR RELATIONS. BUCHAREST HAS TAKEN AN INDEPENDENT STAND ON CEMA INTEGRATION AND THIS POSITION REMAINS INTACT. ROMANIA WILL PARTICIPATE IN CEMA PROJECTS ONLY IF THE PROJECT FITS INTO ITS SCHEME OF DEVELOPMENT AND DOES NOT INFRINGE UPON ITS SOVEREIGNTY. THE ORENBURG PIPELINE IS ONE EXAMPLE OF SUCH A PROJECT.

--PARAS. 4-5. THE 1976-80 PLAN REFLECTS A CONTINUED COMMITMENT TO CENTRAL DIRECTION, AND ALL SIGNS POINT TO EVEN FURTHER CENTRALIZATION. ENTERPRISES ARE LOSING THEIR FOREIGN TRADE AUTHORITY AND MAJOR EXPENDITURES OF HARD CURRENCY MUST NOW BE APPROVED BY CEAUCESCU.
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--WE WOULD DELETE THE MATERIAL ON THE "NATURAL VOLATILITY" OF THE POLES AND THE ROMANIANS. INGERSOLL

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